

DECEMBER 16, 1985

THREE DOLLARS

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Forbes

**SPENDTHRIFT
AMERICA?
THE
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EXPOSED**



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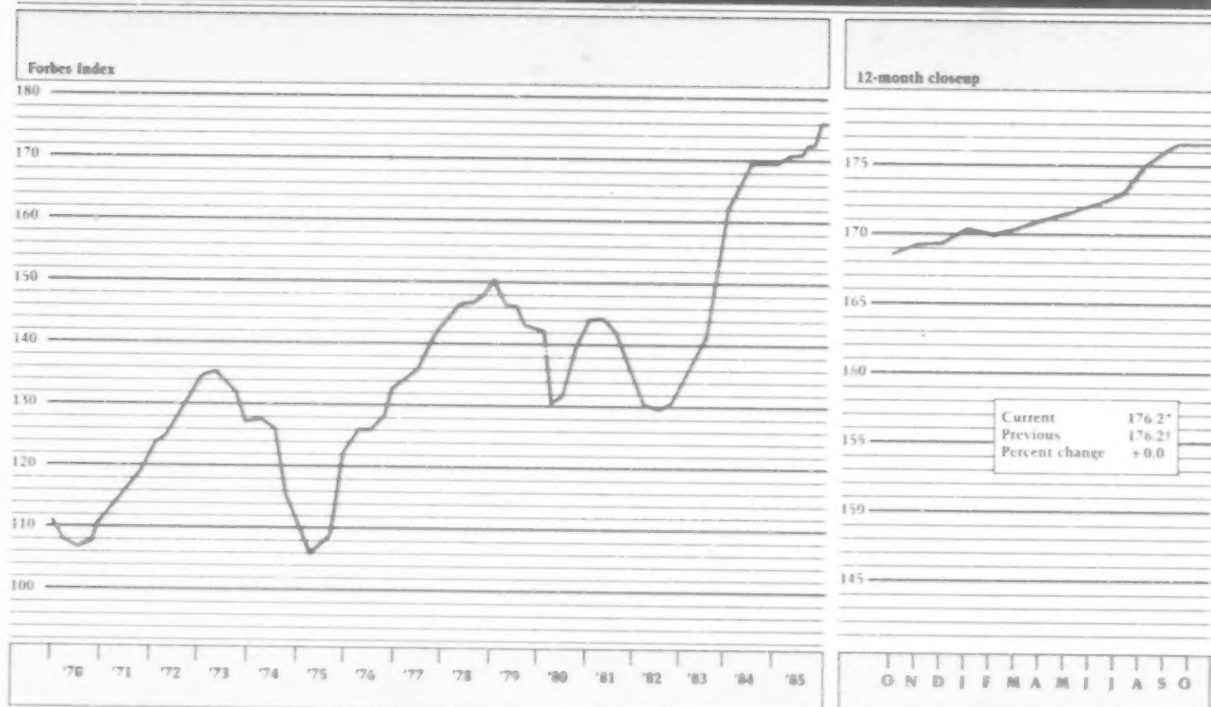
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Cooking goes to college.

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The Forbes Index



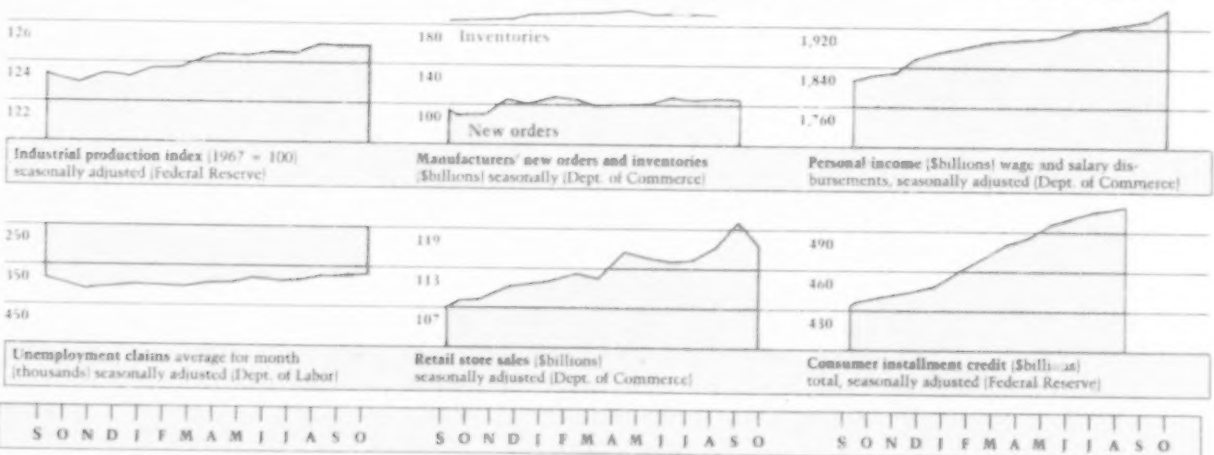
For sale. Housing starts in October were 13% higher than for October 1984. Builders are taking advantage of low mortgage rates and are trying to make profits before the so-called tax reform, which may prove to be unfavorable to builders, is passed. Retail sales failed to climb in October for the first time in four months, but that was expected: Rebates and discount loans on autos were mostly over.

What happens as shoppers move into the Christmas season? The moderately good news is that people will have a bit more to spend. Personal income, adjusted for inflation, is 3.4% higher than a year ago. The bad news is that consumer debt increased for the eighth consecutive month. Consumers can afford to finance only so many more cars.

The Forbes Index Components

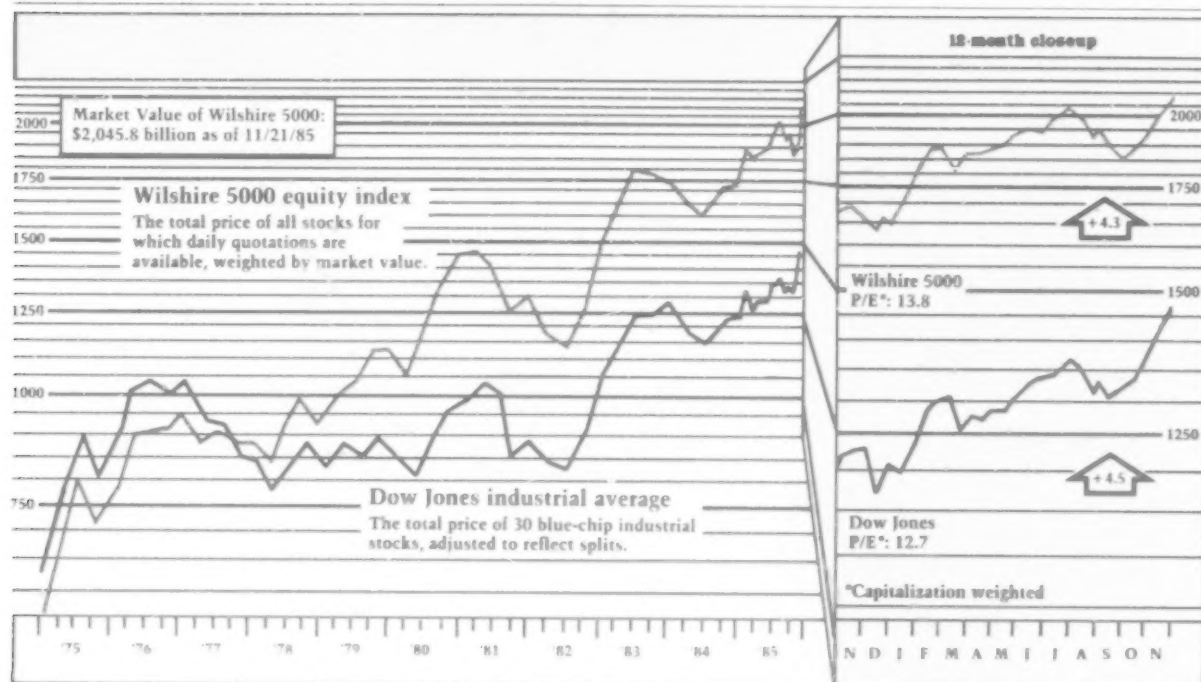
The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, Forbes monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.



The Forbes/Wilshire 5000 Review

Edited by Steve Kichen



Born to be wild. The rally flexed its muscles during the last two weeks, with secondary stocks showing nearly as much strength as the Dow. The gap between the Dow, up 4.5% for two weeks, and the Nasdaq, up 4%, is narrower than the gap in recent months. Earlier, the Dow was boosted by General Foods, taken over by Philip Morris at \$120 a share. More recently, the Dow has benefited from action in McDonald's, which hit a 52-week high. Big Mac was one of the two issues recently substituted into the 30-

stock average to take the place of General Foods and American Brands. The other newcomer is Philip Morris.

Nasdaq issues are only making up for lost ground. Although the Nasdaq composite is still some 6% off its 1983 high, it shows the best 52-week performance of the major market indicators, with a 27.3% gain. Another underdeveloped area may be the Amex, where share prices are up only 16.1% over the last year, vs. 23.2% for the Wilshire index.

Closeup On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500 ¹	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	6.7	5.5	7.3	6.6	5.7	6.4
in last 52 weeks	23.3	25.0	21.7	22.5	16.1	27.3

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility ²		P/E multiple		Dividend yield		Growth profile ³		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over \$40	under \$4
in last 4 weeks	6.5	3.7	8.7	4.3	6.2	5.3	4.8	5.0	7.3	5.1	6.9	2.1
in last 52 weeks	25.6	24.6	41.4	31.4	22.0	29.2	26.0	38.0	39.4	29.8	35.2	12.2

¹Based on sales

²A stock's sensitivity to overall market movement. High volatility issues have wide price fluctuations, low volatility issues are more stable.

³A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 11/21/85. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

Fewer Ford shares in your future. Thanks to Ford's plan to buy back close to 11% of its outstanding shares, the consumer durables sector showed a 6.6% gain, the second-best two-week performance of the nine Wilshire sectors.

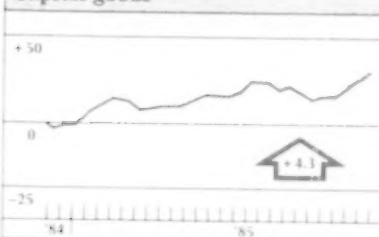
The raw materials group showed the sharpest rise, with a jump of 6.8%. These stocks were strong despite declines in several paper and forest product firms, including Pot-

latch, which made a greenmail settlement with the Belzbergs of Canada.

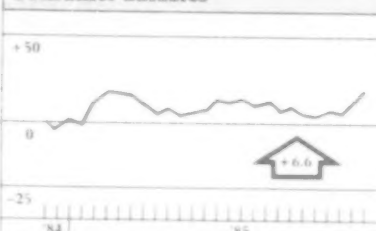
Energy stocks went up only 2.2%. Pennzoil gained 25% when it won the first round of a suit against Texaco. But Texaco, which has a larger capitalization than Pennzoil, fell more than 8% and helped pull the group down. Several oilfield service stocks also fared poorly.

Percent change in last 52 weeks Percent change in last two weeks

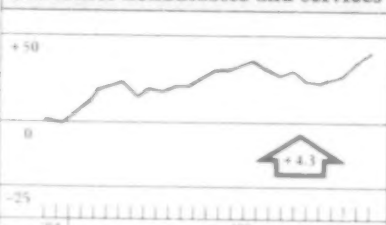
Capital goods



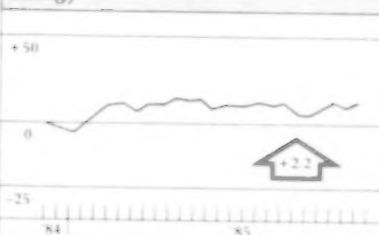
Consumer durables



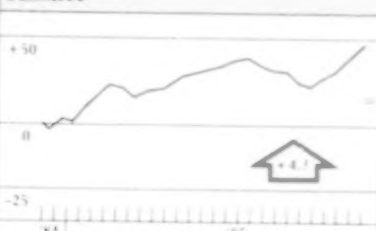
Consumer nondurables and services



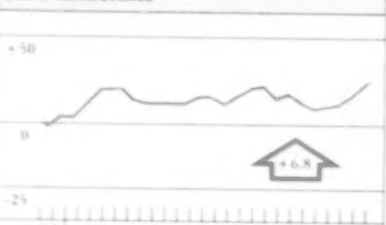
Energy



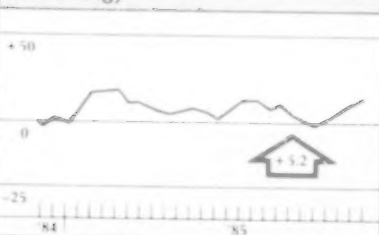
Finance



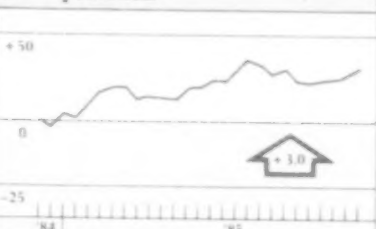
Raw materials



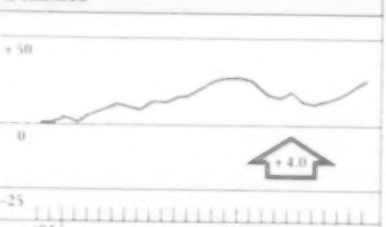
Technology



Transportation



Utilities



What The Analysts Think

Transportation slows down. For both the two- and four-week periods, analysts made the sharpest cuts—3.1% and 4%, respectively—in their 1985 earnings estimates for

transportation issues. Although airline profits in 1985 are still expected to be close to last year's records, the emergence of new fare wars may cause trouble.

Forecasting the Forbes 500

Performance period	Average earnings per share	P/E
latest 12 months	\$3.23	12.9
1985 estimates	3.69	11.3
1986 estimates	4.31	9.7

Rank based on change in estimate	Sector	Estimated 1985 EPS	Estimated 1985 P/E	% change in 1985 estimate in 2 weeks	% change in 1985 estimate in 4 weeks
1	Utilities	\$3.45	8.5	-0.16%	-0.37%
2	Consumer durables	4.97	8.7	-0.27	-0.21
3	Finance	3.09	11.1	-0.31	-0.77
4	Energy	3.46	9.0	-0.46	-0.71
5	Consumer nondurables	2.32	14.2	-1.19	-1.50
6	Capital goods	2.41	13.9	-1.37	-2.23
7	Technology	2.47	14.9	-2.14	-3.65
8	Raw materials	1.79	13.1	-2.28	-3.42
9	Transportation	2.23	12.4	-3.05	-4.03

Earnings projections are capitalization-weighted consensus estimates from over 2,000 security analysts. Data are compiled and updated continuously by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 11/21/85. Prepared by Wilshire Associates, Santa Monica, Calif.; IBES, a service of Lynch, Jones & Ryan, New York.

See Table